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DIA review(s) completed.

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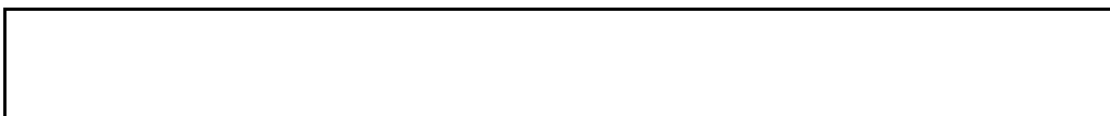
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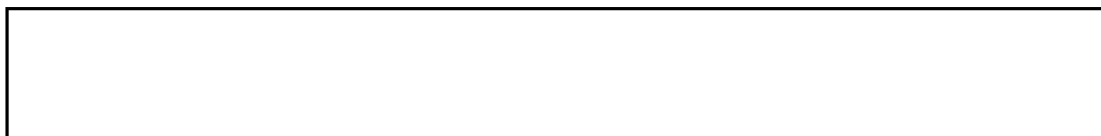
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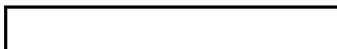
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GREECE-TURKEY

The possibility of a serious confrontation between Athens and Ankara over disputed rights to Aegean seabeds appears to have receded.

The Turkish government apparently concluded that Athens, which had opposed a Turkish proposal to negotiate the seabed issue, needed to be reminded that Ankara is determined to pursue what it perceives to be its rights.

[REDACTED] Turkey's dispatch of a research ship, under escort by warships, on a seismological mission in the Aegean. At the same time, however, Prime Minister Ecevit claimed that Turkey had no hostile intentions and believed in maintaining "friendly relations" with Greece.

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Athens' main interest in recent weeks has been to avoid any discussion of the issue with Ankara that could be interpreted as negotiations. The Greeks evidently hoped to maintain this position at least until the Law of the Sea Conference convenes later this month in Caracas. Although Turkey's sending of the ship to the "disputed area" was regarded by Athens as "a serious matter," the Greek leadership has indicated that seismological work in the Aegean would not in itself precipitate a military response from Greek forces. Yesterday, Athens began to reduce tensions at home by announcing that the Turkish ship had not been sighted and that Greek authorities had known in advance of the Turkish naval maneuvers.

Some forces from both sides probably remain on alert. Unconfirmed press reports indicate that civilians have been evacuated from areas on both sides of the border in Thrace.

[REDACTED] No mention was made of the Turkish

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escort force, but at least some of these ships are expected to proceed south to participate in a bilateral exercise with US naval forces in the Gulf of Iskenderun.

A first-round clash thus appears to have been avoided, but the problem has not been resolved. The Greeks insist that the median line of the continental shelf between the two countries be calculated by referring to the main Greek island chain as base points. The Turks want to divide the Aegean seabed equidistant between the respective mainlands, with the Greek islands allowed six miles of territorial waters. A long period of diplomatic wrangling, possibly accompanied by new threats and demonstrations of military force, seems certain. The next contact between the two parties now appears to be scheduled for the NATO ministers' conference in Ottawa on June 18. [REDACTED]

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EGYPT-USSR

The Soviets have offered to clear mines from the Strait of Jubal, according to the Egyptian foreign minister. Earlier reports had indicated that the French would perform this task, but it now appears more likely that they will join the US, UK, and Egyptian teams currently clearing the canal.

Although the USSR's offer was probably politically motivated--Moscow has been notably upset at being excluded from the main canal-clearing operations--the Soviets may also be anxious to avoid compromising their KRAB mine, a moored, passive acoustic device thought to have been used in the strait. The Egyptian navy swept the strait early this year and apparently cleared a channel. The navy is presently escorting ships through the area, which indicates that the Egyptians are not confident that the minefield has been completely cleared. Egyptian officials have indicated that they would prefer to have the US sweep the strait, and they may be using the Soviet offer to induce the US to do so.

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ARGENTINA

President Peron's call for greater discipline within his Justicialist Party underscores his determination to "institutionalize" his broadly based constituency, and, if necessary, to exclude leftists in his movement from participation in party councils.

In a hard-hitting speech to a party congress last week, Peron stressed his growing concern over the conflicts between rival left- and right-wing factions of his movement. Declaring that the time had come to create a more ideologically balanced party, Peron made a strong pitch for a middle-of-the-road position that would exclude extremist viewpoints. The congress' selection of the party's new ruling national executive council reflected this moderate posture.

In a pointed reference to left-leaning Peronist Youth who have strongly opposed his policies, Peron warned that the "germs" infecting the movement must be "eliminated." The decision of the party congress to deny the youth wing a voice in the party's executive council was a direct slap at what Peron termed the "anarchy" among leftist youth and was a clear warning that he intends to brook no opposition from them. This action seems less calculated to dissolve the youth sector than to gain time until radical elements within the factionalized youth organizations can be isolated and displaced by leaders more amenable to Peron's manipulation.

In stressing the danger posed by divisions among Peronists, Peron cited as an example those who wanted to expel multinational companies from the country and those at the other extreme who complain if any restrictions are placed on them. Peron said neither view was right and that foreign investors would be welcome as long as they abided by the law. The virtual halt in foreign investment apparently has Peron worried, since no recovery is likely until the political climate improves.

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Despite Peron's strong desire to overcome the differences within his movement and to build a lasting political structure by reorganizing the party, there is little to suggest that "institutionalization" will allow Peronism to survive its mentor. As long as Peron lives, the party will remain his personal vehicle, but the prospect of enduring unity will probably be elusive.

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FOR THE RECORD

Portuguese Guinea: The cease-fire talks in London between Lisbon and the Portuguese Guinean insurgents have been adjourned until June 8 to allow the two delegations to hold consultations at home, according to a joint communiqué issued yesterday. Lisbon had hoped that the negotiations would concentrate on arrangements for an immediate cease-fire. The insurgents, however, appear unwilling to negotiate a cease-fire until Lisbon recognizes the "Republic of Guinea-Bissau," which the rebels proclaimed last September.

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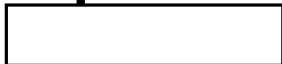
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Gold: The price of gold fell sharply yesterday as markets reacted to US Treasury statements opposing the Senate proposal to permit gold transactions by US citizens as of September 1. The closing price of \$156.75 an ounce was down \$5.25 an ounce, nearly erasing the \$6.50 gain on Thursday when the Senate proposal was passed. The swing--one of the largest in market history--accentuates the uncertainty in the gold market that has existed since the Middle East war last October.

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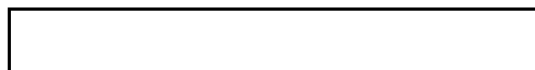
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